



Annual Results Press Conference

Uniper's business performance in FY/Q4 2016

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Statement by:

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Thank you, Klaus. Good morning, everyone. I too would like to welcome you to today's annual results press conference.

I'll be providing you with details about our 2016 numbers. My focus will primarily be on our key earnings figures, operating cash flow, and economic net debt. I'll conclude by giving you our guidance for full-year 2017.

All in all, Uniper delivered a solid operating and balance-sheet performance in its first financial year as an independent company. We achieved our financial targets and met our guidance for our main performance indicators.

I'll start with our operating earnings. Our adjusted EBITDA improved by about 25 percent to €2.1 billion, which is at the upper end of our guidance range. Our adjusted EBIT was also higher, rising by about €600 million, or 70 percent, from €800 million last year to €1.4 billion in 2016. Both of these earning figures are adjusted to exclude nonoperating items. As you may know from our commentary on our nine-month results, our operating earnings benefited primarily from a strong gas business including substantial nonrecurring items. But significant cost reductions also already had a positive impact of our earnings.

Turning to our segments, **European Generation's** adjusted EBITDA of €654 million was €471 million below the prior-year figure of €1.1 billion. Its adjusted EBIT totaled €126 million compared with €506 million in the prior year. This segment's earnings decline primarily reflects significantly lower achieved wholesale power prices relative to the prior year, more specifically for hydro and nuclear power. This affected our operations in Sweden and, in the case of hydro, to some degree in Germany as well. Alongside these adverse price effects, our hydro business in Sweden faced lower reservoir levels, which reduced its power output and thus its operating earnings. In addition, we had to record higher provisions for nuclear asset-retirement obligations in Sweden, which likewise adversely affected earnings. These adverse effects were partially offset by operational improvements, which included a higher availability factor at the nuclear power stations Uniper operates in Sweden, the commissioning of Maasvlakte 3 generating unit in the Netherlands, and cost reductions.



Adjusted EBITDA at our **Global Commodities** segment rose from €0.4 billion in 2015 to €1.5 billion in 2016. This segment recorded adjusted EBIT of €1.3 billion, up from €262 million in 2015.

As I mentioned a moment ago, this significant earnings increase resulted mainly from the already familiar nonrecurring item in our gas business: successfully reaching an agreement with Gazprom on new price terms for long-term gas supply contracts enabled us to release provisions, resulting in a positive earnings effect of about €400 million at our trading business in the first quarter of 2016. Our optimization activities in the gas business also contributed to the earnings increase. These activities include, for example, the ongoing optimization of our booked gas transport and gas storage capacity and our gas procurement contracts. The improvements reflect a particularly positive performance that we can't necessarily expect to achieve to the same extent in the future.

Earnings from our stake in Yuzhno Russkoye gas field were adversely affected in 2016 primarily by a previously planned, contractually triggered reduction in the output allocated to Uniper.

The main earnings driver at our **International Power** segment is our power-generation business in Russia, whose performance in 2016 was substantially affected by the fire in unit 3 at Berezovskaya power station. The accident made it necessary to temporarily shut down this 800 MW unit. The loss of the destroyed components had an adverse impact on this segment's earnings. International Power's adjusted EBITDA declined by €134 million, from €335 million in 2015 to €201 million in 2016. Its adjusted EBIT fell from €236 million to €106 million. But in the fourth quarter of 2016 we received the first insurance payment of roughly RUB 6 billion (about €80 million), which at least partially offset the earnings decline. The management of our Russian subsidiary Unipro anticipates additional insurance payments of around RUB 20 billion in 2017. These payments compensate us for part of the adverse impact.

Turning to our **net earnings**, Uniper recorded a net loss of €3.2 billion for the 2016 financial year. Although the loss is smaller than in the prior year, it demonstrates the degree to which



our earnings situation in 2016 was affected by nonoperating items such as impairment charges.

These nonoperating items consist mainly of:

- impairment charges on coal-fired generation and gas storage assets in Europe
- a provision for contingent losses in our gas storage business
- adverse effects in conjunction with the marking to market of derivative financial instruments, which we use to shield our operating business from price fluctuations.

We recorded most of these impairment charges in the **second quarter of 2016 and recorded only minor changes in the fourth quarter.**

We were very successful in 2016 in improving our **operating cash flow**, which rose by more €700 million year on year to €2.2 billion. Cash outflows through the utilization of provisions, which in part reflect our agreement with Gazprom in early 2016, were largely offset, primarily by improvements in our working capital and a one-off effect in conjunction with the decommissioning of Oskarshamn 2 nuclear power station in Sweden.

We made noteworthy progress in strengthening our balance sheet in 2016, particularly with regard to our economic net debt. Our strong operating cash flow was the primary factor in the reduction of our debt, which fell from €6.7 billion at year-end 2015 to €4.2 at year-end 2016. Receipts on disposals also contributed to this substantial decline of €2.5 billion. The most significant of these was the sale of our stake in Nord Stream I pipeline to E.ON. Our debt factor, which is equal to our economic net debt divided by our adjusted EBITDA, was 2 at year-end 2016 compared with 3.9 at year-end 2015. These figures indicate that we made very good progress toward our objective of considerably reducing our debt. The successful closing of the sale of our stake in Yuzhno-Russkoye gas field, which is subject to the required regulatory approvals of the competent Russian authorities as well as co-shareholder consent, would enable us to reach our target debt factor this year.



As you know, in order to have sufficient financial flexibility even in a persistently challenging and volatile market environment, we imposed strict discipline on our expenditures and investments. We were successful here, as well. We reduced our cash-effective investments by 27 percent, or more than €300 million, to €781 million, which is within the guidance range of €750 to €850 million we communicated in November. The decline primarily reflects lower replacement and maintenance investments of €400 million compared with €753 million in 2015. Our growth investments totaled €381 million, about €50 million more than in 2015. The main projects were Datteln 4 power plant in Germany, the repair of Berezovskaya 3's boiler in Russia, and some final investments in Maasvlakte 3, our new power plant in the Netherlands.

After a solid 2016 financial year, we reaffirm our proposed dividend, which we first communicated in early 2016 and which is unchanged at 55 cents per share. This would result in a dividend payout of about €200 million.

I'll conclude by providing you with full-year 2017 **guidance** for key financial figures. I'd like to point out that effective January 1, 2017, **adjusted EBIT** is our key indicator of our businesses' operating earnings. Consequently, our earnings guidance for 2017 is based on this figure.

We expect our **adjusted EBIT** for the 2017 financial year to be between **€0.9 and €1.2 billion**. At first glance this appears to be well below our 2016 earnings of €1.36 billion. But it has to be remembered that last year's positive one-off effect from our agreement with Gazprom won't recur in 2017. Moreover, our 2017 guidance continues to reflect the difficult business environment in the energy industry. We'll continue to be selective with our **cash-effective investments**, which in 2017 we expect to be slightly above the 2016 figure. In line with our cash-oriented dividend policy, we will aim for Uniper's dividend proposal for the 2017 financial year to surpass the dividend proposal for 2016 by about 15 percent.

Uniper posted solid numbers for its first financial year as an independent company. We met our guidance for all of our relevant financial key figures. The significant reduction of our debt was particularly pleasing. In 2016 we successfully demonstrated our ability to maintain



strict discipline on our expenditures and investments and to lay the foundation for financial solidity. This gives us the flexibility to move Uniper forward in a persistently challenging and volatile market environment. In 2017 we intend to continue our solid operating performance.

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